

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

APPLICATION OF LARUE COUNTY WATER)	
DISTRICT NO. 1 FOR A CERTIFICATE OF)	CASE NO.
PUBLIC CONVENIENCE AND NECESSITY TO)	2012-00054
CONSTRUCT, FINANCE AND INCREASE)	
RATES PURSUANT TO KRS 278.023)	

ORDER

On February 14, 2012, Larue County Water District ("Larue District") applied for a Certificate of Public Convenience and Necessity to construct a \$1,500,000 waterworks improvement project, for an adjustment of rates, and for approval of its plan to finance the proposed project.

Larue District proposes to construct approximately 10,500 linear feet of 6-inch polyvinylchloride ("PVC") water main; approximately 13,300 linear feet of 4-inch PVC water main; approximately 8,000 linear feet of 3-inch PVC water main; a 50,000-gallon ground water storage tank; a 50,000-gallon elevated water storage tank; and related appurtenances. The total cost of the proposed project, including legal, engineering inspection, and engineering design costs, is \$1,500,000. The proposed project will provide service to approximately 50 new customers.

Larue District proposes to finance the proposed construction from the proceeds of the issuance of \$245,000 of revenue bonds to Rural Development ("RD"), an agency of the U.S. Department of Agriculture; a grant of \$105,000 from RD; and four line item appropriations from the Kentucky General Assembly in the aggregate amount of

\$1,150,000.¹ The proposed bonds will mature over a 40-year period and accrue interest at a rate not to exceed 3.25 percent per annum. Under the proposed rates, an average residential customer who uses 5,000 gallons of water monthly will experience an increase of 16.32 percent in his or her monthly bill.

Larue District has submitted its application pursuant to KRS 278.023. Notwithstanding KRS 278.020(1), KRS 278.180, KRS 278.190, and KRS 278.300, KRS 278.023 requires the Commission to accept agreements between water districts and RD regarding construction projects, and to issue the necessary orders to implement the terms of such agreements within 30 days of satisfactory completion of the minimum filing requirements.

KRS 278.023 does not grant the Commission any discretionary authority to modify or reject any portion of the agreement between RD and Larue District, or to defer the issuance of all necessary orders to implement the terms of that agreement. It further denies the Commission any authority to reject an application when the evidence of record indicates that a water district's proposed facilities will result in the wasteful duplication of facilities or excessive investment, or its proposed rates are unfair, unjust, or unreasonable.

Larue District's application met the minimum filing requirements of KRS 278.023 on February 14, 2012. The Commission, therefore, is not able to review this application using the same standards that are used for applications that are not filed pursuant to KRS 278.023.

¹ The four appropriations involve projects WX21123006 (\$450,000), WX21123007 (\$300,000), WX21123016 (\$250,000), and WX21179003 (\$150,000). The Kentucky General Assembly authorized these appropriations in its 2008 Session. 2008 Ky.Acts, ch. 191.

IT IS THEREFORE ORDERED that:

1. Larue District is granted a Certificate of Public Convenience and Necessity for the proposed construction project.
2. Larue District's proposed plan of financing is accepted.
3. Larue District is authorized to issue \$245,000 of its Waterworks Revenue Bonds, at an interest rate not exceeding 3.25 percent per annum, maturing over 40 years.
4. The proceeds from the proposed bond issuance shall be used only for the purposes specified in Larue District's application.
5. Notwithstanding ordering paragraph 4, if surplus funds remain after the approved construction has been completed, Larue District may use such surplus to construct additional plant facilities if RD approves of the use and the additional construction will not result in a change in Larue District's rates for service. Larue District shall provide written notice of this additional construction in accordance with 807 KAR 5:069, Section 3.
6. Larue District shall file a copy of the "as-built" drawings and a certified statement from the engineer that the construction has been satisfactorily completed in accordance with the contract plans and specifications within 60 days of substantial completion of the construction certified herein.
7. Larue District shall require the construction to be inspected under the general supervision of a professional engineer with a Kentucky registration in civil or mechanical engineering to ensure that the construction work is done in accordance with

the contract drawings and specifications and in conformance with the best practices of the construction trades involved in the project.

8. Larue District shall monitor the adequacies of the expanded water distribution system after construction. If the level of service is inadequate or declining or the pressure to any customer is outside the requirements of 807 KAR 5:066, Section 5(1), Larue District shall take immediate action to maintain the level of service in conformance with the regulations of the Commission.

9. Larue District shall notify the Commission in writing one week prior to the actual start of construction and at the 50 percent completion point.

10. The rates set forth in the Appendix to this Order are approved for service that Larue District renders on and after the date of this Order.

11. Within 30 days of the date of this Order, Larue District shall file with the Commission revised tariff sheets that set forth the rates contained in the Appendix to this Order.

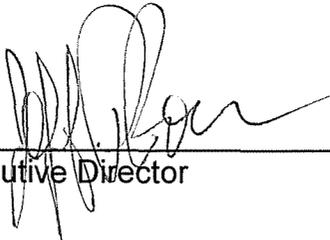
12. Any documents filed in the future pursuant to ordering paragraphs 5, 6 and 9 of this Order shall reference this case number and shall be retained in the utility's general correspondence file.

Nothing contained herein shall be deemed a warranty of the Commonwealth of Kentucky, or any agency thereof, of the financing herein accepted.

By the Commission

ENTERED #
MAR 14 2012
KENTUCKY PUBLIC
SERVICE COMMISSION

ATTEST:



Executive Director

Case No. 2012-00054

APPENDIX

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE COMMISSION IN CASE NO. 2012-00054 DATED **MAR 14 2012**

The following rates and charges are prescribed for the customers in the area served by Larue County Water District No. 1. All other rates and charges not specifically mentioned herein shall remain the same as those in effect under authority of the Commission prior to the effective date of this Order.

Monthly Water Rates

5/8 x 3/4 Inch Meter

First	1,000	Gallons	\$14.93	Minimum Bill
Next	4,000	Gallons	6.62	Per 1,000 Gallons
Next	5,000	Gallons	5.86	Per 1,000 Gallons
All Over	10,000	Gallons	4.69	Per 1,000 Gallons

3/4 Inch Meter

First	3,000	Gallons	\$28.16	Minimum Bill
Next	2,000	Gallons	6.62	Per 1,000 Gallons
Next	5,000	Gallons	5.86	Per 1,000 Gallons
All Over	10,000	Gallons	4.69	Per 1,000 Gallons

1 Inch Meter

First	5,000	Gallons	\$41.40	Minimum Bill
Next	5,000	Gallons	5.86	Per 1,000 Gallons
All Over	10,000	Gallons	4.69	Per 1,000 Gallons

1 1/2 Inch Meter

First	10,000	Gallons	\$70.68	Minimum Bill
All Over	10,000	Gallons	4.69	Per 1,000 Gallons

2 Inch Meter

First	20,000	Gallons	\$117.56	Minimum Bill
All Over	20,000	Gallons	4.69	Per 1,000 Gallons

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